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**Tucson-Pima
Metropolitan Energy
Commission**

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November 25, 2003

Arizona Corporation Commission

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RE: **Docket No. RE-00000C-00-0377**
Comments on Chairman Spitzer's Proposal and Commissioner
Mundell's Letter on Renewable Energy and Energy Efficiency

The Tucson - Pima Metropolitan Energy Commission (MEC) offers the following comments on renewable energy and energy efficiency, in response to the proposals distributed by Chairman Spitzer and Commissioner Mundell at the Open Meeting on October 6, 2003.

Chairman Spitzer proposed three changes to the existing Environmental Portfolio Standard (EPS) rules: return system benefits charges to energy efficiency, increase the EPS surcharge funding for renewable energy by raising the caps on the surcharge, and remove multipliers for all new projects. In his letter Commissioner Mundell suggested that the Commission needs to "decide whether it wishes to continue the scheduled annual Environmental Portfolio Standard percentage increases up to 1.1% as spelled out in the rules," and "discuss whether we should be looking at higher percentages or other means for ensuring that we are making the best level of progress in moving Arizona toward the use of viable and appropriate renewable sources of energy."

MEC thanks the Commissioners for their leadership and offers the following comments.

1. Stay the course and increase the renewable energy percentage in the existing EPS rule to 1.1% by 2007. Increasing the percentage to 1.1% would continue support for renewable energy, particularly solar electric resources, as envisioned in the existing EPS rule. Providing regulatory certainty in the existing EPS rule is essential for the market and solar industry to have confidence in the Commission rules and level of support.

**"Serving as a catalyst for the City of Tucson and Pima County to build
a more Sustainable energy future in the region."**

2. Increase the commitment to renewable energy resources by implementing an additional Renewable Portfolio Standard of 15-20%. There are large amounts of renewable energy resources available in Arizona, and many of these renewable resources, such as wind energy and landfill gas, are cost effective (or nearly so) compared to conventional generation. The environmental, economic, and risk-mitigation benefits of these lower cost renewables can be achieved by implementing a supplemental Renewable Portfolio Standard, in addition to the existing EPS rule. Even though many of these renewables are cost effective now, additional regulatory action is needed to encourage the utilities to invest in them. Other states in the region are committing to levels of renewable energy much higher than 1.1%, e.g.: New Mexico, 10% by 2011; Nevada, 15% by 2013; and California, 20% by 2017. In addition, the Western Regional Air Partnership (WRAP), of which Arizona is a member, is a collaborative effort charged with implementing the recommendations of the Grand Canyon Visibility Transport Commission, including the goal that renewable energy should comprise 10% of the regional power needs by 2005 and 20% by 2015.

3. Pursue cost-effective energy efficiency opportunities by implementing an energy savings goal, with energy efficiency programs and adequate funding to achieve the goal. When compared to central generation and transmission, energy efficiency is more cost effective, cleaner, more distributed with no need for transmission or distribution, more diverse, less risky in terms of market and fuel price volatility, and less subject to security risks and interruptions – and it does not consume scarce resources or harm the environment. Energy efficiency programs provide financial and other benefits to consumers and businesses, and they create jobs and improve the economy. Energy efficiency costs less than any other resource for meeting Arizona's energy needs. Programs in many states have demonstrated that energy savings can be achieved at costs of \$.02 per lifetime kWh saved, which is much less than the cost of conventional generation, transmission, and distribution. MEC suggests that the Commission consider the 1% per year energy savings goal proposed by the Southwest Energy Efficiency Project (SWEET) and provide adequate funding to achieve the goal.

Thank you for your leadership on clean energy policies and programs in Arizona, and for the opportunity to submit these comments.

Sincerely,



Valerie Rauluk, Chair

Tucson – Pima Metropolitan Energy Commission

cc: The Honorable Mayor and Council Members, City of Tucson
Pima County Board of Supervisors